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SOUTHERN INYO HEALTHCARE DISTRICT

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA**

FRESNO DIVISION

11 In re Case No. 1:16-bk-10015-FEC
12 SOUTHERN INYO HEALTHCARE Chapter 9
DISTRICT,
13 Debtor. WGG-3
AMENDED DEBTOR AND DEBTOR-IN-POSSESSION AGREEMENT

AMENDED DEBTOR AND DEBTOR-IN-POSSESSION'S RESPONSE TO ORDER TO SHOW CAUSE REGARDING DISMISSAL; DECLARATIONS OF JEFFREY I. GOLDEN, DONALD T. FIFE, AND SCOTT NAVÉ IN SUPPORT THEREOF

Hearing
Date: July 24, 2019
Time: 1:30 p.m.
Place: Dept. A, Ctrm 11
U.S. Bankruptcy Court
2500 Tulare Street
Fresno, CA 93721

**TO THE HONORABLE FREDRICK E. CLEMENT, UNITED STATE BANKRUPTCY
JUDGE:**

Debtor and Debtor-in-Possession, Southern Inyo Healthcare District (the "District") hereby submits the following *Amended Response to Order to Show Cause Regarding*

1 *Dismissal ("Response") to the Court's Order to Show Cause Regarding Dismissal*
2 ("OSC") issued on April 11, 2019 [Dkt. 606].

3 **I. INTRODUCTION**

4 As this Court is aware the District provides services that are vital to the community
5 at large and without which the residents of the community will be deprived of necessary
6 emergency services. Since this Court set the OSC, the District has continued to work
7 diligently to resolve the three primary hurdles to proposing a Plan of Adjustment that will
8 not require material modifications such that resolicitation of any approved Disclosure
9 Statement would be likely. To this end, the Court has made significant progress with
10 respect to the HCCA Adversary, the Tulare claim, and the Optum Loan Adversary, as
11 those terms are defined below and the details of which are set forth herein. Given that
12 significant progress and the continued support of not only the community but the creditors
13 of the District (as evidenced by, among other things, the absence of any opposition or
14 complaint of any creditor other than HCCA, Tulare, or Optum to the progress of the
15 District and its Plan of Adjustment). Accordingly, the District respectfully submits that there
16 is no cause to dismiss under 11 U.S.C. § 930.

17 **II. BACKGROUND**

18 The District filed a chapter 9 bankruptcy petition in this district, commencing case
19 number 1:16-bk-10015-FEC, on January 4, 2016. An Order for Relief Under Chapter 9
20 was issued by the Court on July 12, 2016 [Dkt. 195]. Such a finding, that the District is
21 eligible for relief under chapter 9, was made orally by the Court at a hearing on June 29,
22 2016. At that same hearing, the Court ordered the District to file a plan not later than
23 November 2, 2016.

24 On October 28, 2016, the District filed with the Court an ex parte request to
25 continue the deadline to file a plan from November 2, 2016, to January 31, 2017 [Dkt.
26 222]. On October 31, 2016, the Court granted such request [Dkt. 225].

27 On January 25, 2017, the District filed with the Court an ex parte request to
28 continue the deadline to file a plan from January 31, 2017 [Dkt. 232]. On January 27,

1 2017, the Court granted such request, setting a new deadline to March 31, 2017 [Dkt.
2 240]. Additionally, the Court ruled that this would be the final request for enlargement of
3 time that would be granted.

4 On April 1, 2017, the District filed both a Chapter 9 Plan [Dkt. 267] and a Disclosure
5 Statement [Dkt. 268]. On July 20, 2017, an Amended Disclosure Statement [Dkt. 302] and
6 Amended Plan [Dkt. 303] were filed by the District. On January 17, 2018, a Second
7 Amended Plan [Dkt. 396] and a Second Amended Disclosure Statement [Dkt. 397] were
8 filed by the District. The Second Amended Disclosure Statement was set for hearing on
9 February 28, 2018. Prior to the hearing, the District withdrew the Second Amended
10 Disclosure Statement due to the significant changes that had occurred between the filing
11 of the original Disclosure Statement and the Second Amended Disclosure Statement.

12 In May, 2018, the District filed a status report detailing the changes that had
13 occurred, and stating an intention to swiftly file a new Chapter 9 Plan [Dkt. 431]. However,
14 the landscape continued to evolve. In July, 2018, the District filed five new adversary
15 proceedings, all preference actions, against entities that had received payments during
16 the ninety (90) days preceding the bankruptcy filing. This caused a delay in filing a new
17 Chapter 9 Plan, as evidenced in the District's August 16, 2018, Status Report [Dkt. 467].

18 The result of the five preference actions is as follows. On July 12, 2018, the District
19 filed an adversary proceeding against Healthcare Resource Group, Inc. for recovery of
20 preference payments, commencing adv. no. 18-01043 ("**Healthcare Resource**
21 **Adversary**"). On December 19, 2018, the District moved to dismiss the Healthcare
22 Resource Adversary pursuant to a settlement which provided for the payment of
23 \$5,625.00 to the District.

24 On July 12, 2018, the District additionally filed an adversary proceeding against
25 Coast to Coast Healthcare Services, Inc., for recovery of preference payments,
26 commencing adv. no. 18-01044 ("**Coast to Coast Adversary**"). On October 1, 2018, the
27 District filed a Notice of Withdrawal and dismissed the Cost to Coast Adversary.
28

1 On July 12, 2018, the District additionally filed an adversary proceeding against
2 Healthland Inc., for recovery of preference payments, commencing adv. no. 18-01045
3 ("Healthland Adversary"). On December 19, 2018, the District moved to dismiss the
4 Healthland Adversary pursuant to a settlement which provided for the dismissal of the
5 Healthland Adversary on the one hand, and the claims asserted by Healthland Inc. shall
6 not be allowed. Although Healthland Inc. had not filed proofs of claim, Healthland's pre-
7 petition claim had been scheduled in the District's Schedule F.

8 On July 12, 2018, the District additionally filed an adversary proceeding against
9 Optum Bank, Inc., for recovery of approximately \$20,000 in preference payments,
10 commencing adv. no. 18-01046 ("Optum Preference Adversary"). Optum asserted, as a
11 defense to the Optum Preference Adversary, that it did not receive more than it would
12 have if it did not receive the preference payments. Optum asserted such defense based
13 upon the presumption that it had a valid security interest as a result of the Optum Loan
14 (described below). The Court's determination of the validity of Optum's security interest
15 arising from the Optum Loan is thus central to the determination of the Optum Preference
16 Adversary, and the parties have agreed to await the outcome of the Optum Loan
17 Adversary (described below) prior to litigating the Optum Preference Adversary.

18 On July 12, 2018, the District additionally filed an adversary proceeding against
19 Premier Emergency Physicians of California Medial Group, for recovery of preference
20 payments, commencing adv. no. 18-01046 ("Premier Adversary"). On March 20, 2019,
21 the District filed a Motion to Dismiss the Premier Adversary pursuant to a settlement which
22 provided for the payment of approximately \$55,000 to the District, and reduced accounts
23 payable by approximately \$497,000.

24 Additionally, other litigation remains pending which also contributed to the delay in
25 the District proposing a Plan. On August 15, 2017, the District filed an adversary
26 proceeding against Optum Bank, Inc., initiating adv. no. 17-01077 ("Optum Loan
27 Adversary"). By and through the Optum Loan Adversary, the District sought a
28 determination from the Court that the Optum Loan was invalid, and therefore Optum's

1 claim of \$1,717,320.24, based upon a loan between Optum and the District ("Optum
2 Loan"), should be disallowed. The District contends that the Optum Loan is invalid as it
3 violates Cal. Health & Safety Code § 32130.2(b). Additionally, pursuant to the California
4 Constitution, a creditor is not able to assert a security interest in municipal property unless
5 expressly authorized by statute, something not present in connection with the Optum
6 Loan. The District and Optum Bank, Inc. each filed Motions for Summary Judgment. If the
7 Court determines that the Optum Loan is invalid, Optum's claim of \$1,717,320.24 will be
8 disallowed. The Court alternatively could find that the Optum Loan is valid, but the security
9 interest is not, in which case Optum's claim would be unsecured. On May 22, 2019, the
10 Court heard argument on the competing Motions for Summary Judgment and took the
11 matter as submitted. The matter is still currently under submission. The District requests
12 that the Court take Judicial Notice, pursuant to Federal Rule of Evidence 201, of the
13 adversary docket, case number 17-01077, reflecting the cross motions for summary
14 judgment [Dkts. 173 and 183].

15 On May 30, 2018, the District filed an adversary proceeding against HCAA and
16 ViHF for, *inter alia*, subordination of claim or interest, commencing adv. no. 18-01031
17 ("HCCA Adversary"). The District's relationship with HCCA began in January, 2016 when
18 the District entered into a Management Services Agreement ("MSA") and line of credit
19 with HCCA. Pursuant to the MSA, the Board of Directors for the District turned over
20 control of the District's operations and management to HCCA, including operations of the
21 hospital and other facilities. However, the District alleges that in the years following
22 execution of the MSA, HCCA engaged in an outrageous pattern and practice of
23 negligence, breach of the MSA; unauthorized transfers of the District's money and failure
24 to disclose critical financial and other information to the District's Board of Directors. The
25 allegations of the HCCA Adversary arises from multiple breaches of the duties of due
26 care, contract and loyalty owed to the District by its former manager HCCA, which is
27 wholly owned by Dr. Yorai Benzeevi, and Vi, which is a finance company associated with
28 Benzeevi. Benzeevi and his companies deny the allegations. The District and the

1 defendants to said adversary have agreed to a mediation date of August 15, 2019, in front
2 of the Honorable Randall J. Newsome as mediator. Although the District plans on
3 proposing a Chapter 9 Plan that has contingencies based upon the outcome of the HCCA
4 Adversary, the District believes that the August mediation may result in a resolution or at
5 least narrow issues, and may help to inform the District regarding how to treat the claims
6 in a proposed Chapter 9 Plan. In connection with the HCCA Adversary, the District sought
7 a preliminary injunction regarding tax revenues in which the defendants claim a security
8 interest. Pending the upcoming mediation, the parties to the HCCA Adversary have
9 agreed to continue sequestration of the tax revenues which has accumulated to a
10 significant fund of money. The District requests that the Court take Judicial Notice,
11 pursuant to Federal Rule of Evidence 201, of the docket in this adversary, case number
12 18-01031.

13 On April 10, 2019, the Court issued an Order Granting Motion to Disqualify Ashley
14 McDow and Foley and Lardner LLP [Dkt. 604] ("Disqualification Order"), which was
15 deemed effective as of the close of business on May 10, 2019. On May 10, 2019, the firm
16 of Weiland Golden Goodrich LLP ("**WGG**") filed a Motion to Substitute Attorney to be the
17 attorney of record for the District. On May 14, 2019, the Court entered an Order Granting
18 the Motion to Substitute Attorney [Dkt. 617].

19 On April 11, 2019, one day after issuing the Disqualification Order, the Court issued
20 an Order to Show Cause why the case should not be dismissed pursuant to §§ 930(a)(2)
21 and (3) [Dkt. 606]. In particular, the Court requested that the District demonstrate sufficient
22 cause, including a showing that the debtor can and will present a confirmable plan soon
23 after July 24, 2019.

24 On July 9, 2019, the District filed an Objection to Proof of Claim 48-1 filed by Tulare
25 Local Healthcare District ("**Tulare**"), which claim was asserted to be a \$2,500,000 claim.
26 The District set such objection for hearing on August 28, 2019. Tulare filed a Motion for
27 Administrative Expenses on November 6, 2017 [Dkt. 355]. The District responded by
28 opposing such request for administrative claim on April 2, 2018 [Dkt. 428]. Additionally,

1 and relatedly, the District had previously filed proofs of claim¹ in Tulare's Chapter 9
2 bankruptcy case, case number 17-13797. Tulare objected to the District's proofs of claim,
3 but did not set such objections for hearing. The District has set the objections to the
4 District's proofs of claim for hearing in the Tulare Chapter 9 case. The District believes
5 that there is no basis to the Tulare claim, and believes that such claim will be reduced or
6 disallowed. Due to Tulare's attempt to assert the claim as an administrative claim, the
7 outcome of the claim objection is very important to the Plan of Adjustment.

8 **III. LEGAL AUTHORITY**

9 **A. Standard for Dismissal**

10 The OSC issued by the Court orders the District to show cause why this case
11 should not be dismissed pursuant to 11 U.S.C. §§ 930(a)(2) and/or (3). Section 930
12 provides grounds on which the Court may, but is not required to, dismiss a Chapter 9
13 case. The court retains the general equitable power to dismiss for such cause as
14 determined, in the sound exercise of its discretion, to warrant dismissal. This may include
15 ineligibility of the debtor for Chapter 9 relief or seriously contumacious conduct by the
16 debtor toward the court, including continual disregard of the court's orders or process. 6
17 COLLIER ON BANKRUPTCY ¶ 930.01 (16th ed. Rev. 2010). Additionally, even if one of
18 the specific grounds enumerated in § 930(a) is present, the court is not required to
19 dismiss a case if other considerations make it advisable that the case be retained.
20 COLLIER ON BANKRUPTCY ¶ 930.02[1] (16th ed. Rev. 2010).

21 Not only is there no contumacious conduct, none of the grounds are applicable and
22 in fact there are significant other considerations which make it extremely advisable that
23 the case be retained and not dismissed, each of which will be discussed in turn below.

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28 ¹ The District filed two proofs of claim, claim numbers 235-1 and 238-1.

1 **1. Litigation Issues**

2 There are three privacy matters which the District is dealing with to propose a Plan
3 of Adjustment. The major outstanding litigation issues are the HCCA Adversary and claim,
4 the Optum Loan Adversary, and the Tulare claim objection.

5 **a. The HCCA Adversary**

6 As explained above, HCCA Adversary has a mediation date of August 15, 2019.
7 The District is confident that there will be funds paid to the District as a result of the HCCA
8 Adversary. The District will continue to keep the Court informed of the result of the August
9 15, 2019, mediation. In the event that no settlement is reached, the District will file a
10 motion under 11 U.S.C. §502(1) to estimate the claim and to facilitate the plan process.
11 Resolution of the HCCA Adversary and claim eliminates an alleged claim and generates
12 revenue.

13 **b. Optum Loan Adversary**

14 The motion for summary judgment is under submission with this Court. As
15 mentioned above, the Court's determination of the District's claim against Optum Bank
16 may result in the disallowance of over \$1,700,000 in secured claims or the changing of
17 character of the Optum proof of claim to an unsecured claim. In fact, there may be a
18 variety of implications from the court's ruling which can be addressed in the Plan.
19 Resolution of the Optum Loan Adversary will allow the plan to address the claim and
20 these issues based upon the Court's ruling.

21 **c. Tulare Claim Objection**

22 The District has filed an objection to the proof of claim filed by Tulare asserting a
23 \$2,500,000 claim which is set for hearing in August. The District does not believe such a
24 claim exists, and Tulare has not provided documentation to the District supporting such
25 claim. Tulare additionally moved for allowance of an administrative claim relating to the
26 proof of claim filed by Tulare. Such motion was not set for hearing. The District opposed
27 the motion for administrative claim. The District has set the proof of claim for hearing on
28 August 28, 2019, and the outcome of such claim objection is very important to the Plan.

1 The District has filed a proof of claim in Tulare's Chapter 9 bankruptcy case. Such claim
2 has been objected to by Tulare, however the objection was not set for hearing. The
3 District has filed an opposition to Tulare's objection to claim, and has set for hearing the
4 objection to claim. Resolution of the Tulare claim objection will enable the amended plan
5 to proceed expeditiously.

6 **2. Additional Sources of Revenue**

7 The District believes that a Plan of Adjustment is feasible through the future
8 revenue of the District. Don Fife is assisting the District in updating the financial
9 projections and related data. However, in order to provide for better treatment of
10 creditors, the District has reviewed avenues for additional sources of revenue which are
11 detailed below.

12 First, the District had previously proposed expanding the services offered by the
13 District and introducing new services in order to increase revenue. Inyo County performed
14 a study evaluating the community needs and the Board has been evaluating this study to
15 determine what new services could be added to increase revenue and benefit the
16 community. The Board of the District is actively taking steps to expand services and
17 began making plans to implement the services. In fact, the District will be providing
18 infusion services, based upon a donation of equipment to the District. In addition, the
19 District has addressed four acute beds and have passed all health service requirements
20 for acute and swing beds, for which reimbursement is \$9,000 per day for both. All of the
21 aforementioned services will and are resulting in increased revenue for the District.

22 Second, the Board has recently appointed a new interim CEO who will be working
23 on expanding services in order to increase revenue and in fact revenue has already
24 recently started to increase. Additionally, the District will be contracting with a healthcare
25 consultant to assess organizational issues and new services provided by the District. The
26 District believes that the implementation of the new services is in the best interests of the
27 District and therefore, its creditors, as well as the community as a whole. As a result, the
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1 District is confident that new services, creating additional revenue, will be implemented by
2 the District in short order.

3 Third, the District had previously proposed an increase in the parcel tax in order to
4 secure over \$600,000 in additional funding. This parcel tax increase required voter
5 approval. The measure was put on the ballot in 2018, and, while it did not achieve the two
6 thirds (2/3) approval of the voters to pass, the vote was 57% in favor versus 43% against.
7 Although historically tax increases in this district are not popular, the District believes that
8 with the progress made as a result of the protections in the bankruptcy and improvements
9 to operations with the new management team, the measure is likely to pass, not in the
10 least because the community has consistently worked to keep the District running as that
11 is in the best interests of the community at large. Accordingly, the District intends to
12 introduce the measure once more in an effort to reach the two thirds (2/3) approval
13 needed. Additionally, there is a proposal in the state legislature, which has not yet attained
14 status as a law, to change the rule to requiring only 55% of approval needed by voters for
15 this type of ballot measure. The District remains confident that, combined with additional
16 dissemination of information to the public about the purposes of the increase in parcel tax,
17 approval of the parcel tax is a significant possibility and will be proposed next November
18 2020.

19 Fourth, the District has been working with Los Angeles Department of Water and
20 Power (“Department”) to partner on funding for local health related services. The
21 Department is on board with the District and will put out a grant program which will
22 increase the operating revenue. The District will continue to update the Court on this
23 development.

24 Fifth, through the Local Agency Investment Fund the District has set aside
25 \$370,000 and there will be \$250,000 in that fund available next year.

26 **B. The Court Should Not Dismiss the Case**

27 As stated above, even if one of the specific grounds enumerated in § 930(a) is
28 present, the court is not required to dismiss a case if other considerations make it

1 advisable that the case be retained. COLLIER ON BANKRUPTCY ¶ 930.02[1] (16th ed.
2 Rev. 2010). Such considerations can include the best interests of creditors or the
3 community at large and the reasons for delay in confirming a plan. It would make little
4 sense to dismiss a case for delay in proposing a plan while not paying creditors only to
5 hurt the same creditors in the case of dismissal.

6 The District's delay in confirming a plan is in part due to the large amount of
7 litigation that has taken place in this case. The District has been working diligently to move
8 forward with the various litigation matters identified above and anticipates that the
9 challenges causing a delay in confirming a plan will be resolved shortly.

10 The best interests of creditors are not served by dismissal of this case. The District
11 believes that a Plan of Adjustment is in the best interests of creditors since the District is
12 working on confirming a Plan that will make payments to all impaired classes out of future
13 revenue. Such payments will result in greater distributions to these impaired classes than
14 they would receive if the case was dismissed. If the case was dismissed, each creditor
15 would be left to fend for themselves and a mad race to the courthouse to capitalize on the
16 District's sparse assets would ensue. Continued operation of the District's facilities would
17 be impossible. If the District ceased operations, creditors would be in a worse position,
18 since the District intends on paying creditors back in large part based upon future revenue
19 from the District's operations. Furthermore, the additional sources of revenue
20 contemplated by the District would not be forthcoming. The Bankruptcy Code offers
21 benefits to debtors, including the District, that, if lost, would result in interference in the
22 operations of the District (if the District were able to operate post-dismissal) from creditors
23 that would seek to recover collateral and levy against the District's assets to satisfy their
24 claims. Substantial time and effort has been spent litigating various issues with respect to
25 the District, and dismissal at this time would potentially rob the District of the ability to
26 resolve certain of those disputes. Finally, the ballot measures proposed by the District that
27 would increase revenue would likely fail in the event of a dismissal. Such a loss of
28 revenue would be borne primarily by creditors. Since creditors would be best served by

1 confirmation of a Chapter 9 Plan of Adjustment, and because the District intends to seek
2 confirmation of a Plan of Adjustment shortly, dismissal would not be in the creditors' best
3 interests.

4 The community has repeatedly demonstrated its support for the District and its
5 services which are vital to the remote area that the District serves. The District has
6 consistently seen high turnouts at public meetings. Many creditors and organizations are
7 working tirelessly to help the District confirm a plan and remain operating in this
8 community. For many of the reasons stated above, dismissal of this case would result in
9 the discontinuation of the District's services. Dismissal is not only not in the best interests
10 of creditors, it is also against the wishes of the community. Such a Plan is in the best
11 interests of creditors, who will receive more than they would if this case was dismissed.
12 Under the circumstances, the community and the creditors would receive nothing and
13 HCCA would takes the revenue. Dismissal does not benefit and is in fact harmful to the
14 creditors, the Committee and the District. A confirmable Plan is in prospect and may be
15 achieved within a reasonable time, shortly after the OSC hearing.

16 **D. Conclusion**

17 The District can file and move to confirm a feasible Plan within a short time which
18 will benefit creditors and the community. The District has been preparing an amended
19 confirmable Plan and can file such Plan within approximately two weeks. However, the
20 District requests approximately 60 days to file a Plan so as to allow for the progression of
21 the various outstanding litigation matters outlined above, the Optum Adversary, the Tulare
22 objection and the HCCA Adversary. The District has diligently worked toward confirmation
23 of a Chapter 9 Plan, and has been delayed by the significant amount of litigation
24 surrounding the bankruptcy case. The District has hired new counsel approximately two
25 (2) months ago, and new counsel has worked to both conclude the various outstanding
26 litigation issues as well as become familiar with the District's financials in order to
27 determine the appropriate treatment of creditors so as to propose a feasible Plan.

1 As set forth above, the Court is requested to take judicial notice of the docket
2 relating to the claim objection. Tulare claim, the adversary docket involving Optum, and
3 the adversary docket involving HCCA.

4 Since substituting in as counsel, WGG has worked diligently to conclude litigation
5 and become familiar with the District's financials in order to propose a feasible Chapter 9
6 Plan of Adjustment. WGG has (i) helped to facilitate the setting of a mediation date in the
7 HCCA Adversary, (ii) argued and participated in opposing Summary Judgment Motions in
8 the Optum Loan Adversary, (iii) objected to the claim filed by Tulare, (iv) set for hearing
9 Tulare's objection of the District's proofs of claim in Tulare's bankruptcy case, (v) worked
10 with Don Fife of Hahn Fife & Company LLP to prepare feasible plan projections for a
11 Chapter 9 Plan, (vi) analyzed potential alternative sources of revenue with representatives
12 from the District's Board of Directors, and (vii) began drafting an amended Plan to present
13 to the creditors and the Court.

14 Accordingly, the District requests that this Court not dismiss the case, take the
15 OSC off calendar, and allow a reasonable opportunity for the District to file and confirm its
16 amended plan.

17
18
19 Dated: July 11, 2019

WEILAND GOLDEN GOODRICH LLP

20
21 By: /s/ Jeffrey I. Golden
22 Jeffrey I. Golden
23 Attorneys for Debtor and
Debtor-in-Possession
Southern Inyo Healthcare District
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1 **DECLARATION OF JEFFREY I. GOLDEN**
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3 I, Jeffrey I. Golden, declare as follows:

4 1. I am an attorney at law duly licensed to practice in the Courts of California
5 and the Eastern District of California. I am a partner in the law firm of Weiland Golden
6 Goodrich, counsel of record for the debtor, Southern Inyo Healthcare District ("**District**"). I
7 am submitting this Declaration in support of the District's *Debtor and Debtor-in-*
8 *Possession's Response to Order to Show Cause Regarding Dismissal* ("**Response**"). All
9 capitalized terms in the Objection are incorporated herein by this reference. The following
10 is within my own personal knowledge, except as otherwise noted, and if called as a
11 witness, I could and would testify competently testify with respect thereto.

12 2. According to the information available on the Court's docket and my
13 discussions with previous and current counsel for the District, on January 4, 2016, the
14 District filed a chapter 9 bankruptcy petition commencing case number 1:16-bk-10015-
15 FEC. An Order for Relief Under Chapter 9 was issued by the Court on July 12, 2016.

16 3. According to the information available on the Court's docket and my
17 discussions with previous and current counsel for the District, the Court ordered the
18 District to file a plan not later than November 2, 2016. The Court continued the deadline to
19 file a plan first to January 31, 2017, and later to March 31, 2017. The District filed a
20 Chapter 9 Plan and Disclosure Statement on April 1, 2017. An Amended Plan and
21 Disclosure Statement was filed on July 20, 2017. A Second Amended Plan and Disclosure
22 Statement was filed on January 17, 2018. Prior to the hearing on the Second Amended
23 Disclosure Statement, the District withdrew the Second Amended Disclosure Statement
24 and Second Amended Plan.

25 4. According to the information available on the Court's docket and my
26 discussions with previous and current counsel for the District, in May, 2018, the District
27 filed a status report detailing the changes that had occurred since the filing of the
28 bankruptcy case.

1 5. According to the information available on the Court's docket and my
2 discussions with previous and current counsel for the District, the District filed five (5)
3 preference actions in July, 2018. The Healthcare Resource Adversary was settled and
4 resulted in a payment of \$5,625.00 to the District. The Coast to Coast Adversary was
5 dismissed. The Healthland Adversary was settled and Healthland agreed to not assert any
6 claims. The Optum Preference Adversary is still pending. The Premier Adversary was
7 settled and resulted in a payment of approximately \$55,000.00 to the District.

8 6. On April 10, 2019, the Court issued an Order Granting Motion to Disqualify
9 Ashley McDow and Foley and Lardner LLP which was deemed effective as of the close of
10 business on May 10, 2019. On May 10, 2019, my firm of Weiland Golden Goodrich LLP
11 ("WGG") filed a Motion to Substitute Attorney to be the attorney of record for the District.
12 On May 14, 2019 the Court entered an Order Granting the Motion to Substitute Attorney.

13 7. WGG argued and participated in a hearing on opposing Summary Judgment
14 Motions in the Optum Loan Adversary on May 22, 2019. The Court took the opposing
15 Summary Judgment Motions under submission.

16 8. WGG additionally has worked toward facilitating a mediation date in
17 connection with the HCCA Adversary, and I am informed and believe that a mediation has
18 been set for August 15, 2019, in front of the Honorable Randall J. Newsome as mediator.

19 9. Additionally, WGG has objected to proof of claim 48-1 filed by Tulare, set for
20 hearing, and opposed, Tulare's objection to the District's proof of claim filed in the Tulare
21 bankruptcy case, worked with Don Fife of Hahn Fife & Company LLP to prepare feasible
22 plan projections for a Chapter 9 Plan, discussed alternative sources of revenue with
23 representatives from the District's Board of Directors, and began drafting a Chapter 9 Plan
24 and Disclosure Statement to present to creditors and the Court. The Court is requested to
25 take judicial notice of the claim objection to the Tulare proof of claim, the Adversary
26 docket involving Optum, and the Adversary docket involving HCCA

1 10. I believe that a feasible, confirmable Plan of Adjustment could be proposed
2 in as quickly as two weeks, however think that it is prudent to propose a Plan in
3 approximately two months.

4 I declare under penalty of perjury that the foregoing is true and correct.

5 Executed on this 10th day of July, 2019, at Costa Mesa, California.

/s/ Jeffrey I. Golden

Jeffrey I. Golden

Weiland Golden Goodrich LLP
650 Town Center Drive, Suite 600
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

DECLARATION OF DONALD T. FIFE

I, Donald T. Fife, declare as follows:

1. I make this declaration in support of the District's *Debtor and Debtor-in-Possession's Response to Order to Show Cause Regarding Dismissal* ("**Response**"). I know the following facts to be true of my own personal knowledge, except as otherwise stated, and, if called as a witness, could and would competently testify with respect thereto.

9 2. I am a certified public accountant duly licensed to practice in the State of
10 California. I am a partner of Hahn Fife & Company, LLP.

11 3. I was contacted by Weiland Golden Goodrich, LLP ("WGG") to review the
12 financial position and projections of the District in relation to the preparing of financial
13 projections in connection with the filing of a Chapter 9 Plan and Disclosure Statement.

14 4. I have reviewed a budget summary as well as monthly cash flow and budget
15 financial documents obtained from the District.

16 5. I am putting together projections in relation to a Plan of Reorganization and
17 believe that a feasible Plan can be confirmed in this case.

18 I declare under penalty of perjury that the foregoing is true and correct.

19 Executed on this 10th day of July, 2019, at Pasadena, California.


Donald T.

Donald T. Fife

DECLARATION OF SCOTT NAVE

I, Scott Nave, declare as follows:

4 1. I am an attorney at law duly licensed to practice in the Courts of California
5 and the Eastern District of California. I am a partner in the law firm of Nave & Cortell,
6 special counsel for Southern Inyo Healthcare District ("District"). I am submitting this
7 Declaration in support of the District's *Debtor and Debtor-in-Possession's Response to*
8 *Order to Show Cause Regarding Dismissal* ("Response"). All capitalized terms in the
9 Objection are incorporated herein by this reference. The following is within my own
10 personal knowledge, except as otherwise noted, and if called as a witness, I could and
11 would testify competently with respect thereto.

12 2. Inyo County performed a study evaluating the community needs and the
13 Board has been evaluating this study to determine what new services could be added to
14 increase revenue and benefit the community. The Board of Directors directed the CEO to
15 begin making plans to implement the services, however the District has not yet
16 consummated such implementations.

17 3. The Board of Directors has recently appointed an interim CEO and is
18 contracting with a healthcare consultant to assess organizational issues and new services
19 to be provided by the District in order to better serve the community and increase
20 revenue.

21 4. The District had previously proposed an increase in the parcel tax in order to
22 secure over \$600,000 in additional funding. This parcel tax increase required voter
23 approval. The measure was put on the ballot in 2018, and, while it did not achieve the two
24 thirds (2/3) approval of the voters to pass, the vote was 57% in favor versus 43% against.

25 5. The District is in the process of acquiring additional alternative sources of
26 revenue. Some of these proposals are not finalized and not yet available for exposure to
27 the public. While some of these proposals are speculative and tenuous, others are close
28 to completion and may provide additional revenue to fund the Plan. Among other plans,

1 the District has been working with Los Angeles Department of Water and Power to partner
2 on funding for local health related services and improvements to the hospital facilities.

3 6. The Board of Directors is confident that a Plan of Reorganization is in the
4 best interests of the community at large, which has been traditionally supportive of the
5 District, so that the District can continue to operate.

6 7. A Plan of Reorganization is feasible and I believe a confirmable Plan can be
7 filed in short order.

8 I declare under penalty of perjury that the foregoing is true and correct.

9 Executed on this 10th day of July, 2019, at Westlake Village, California.

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Scott Nave